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A PROFESSIONAL CORPORATION

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V. W. MCLEOD (1914-1977)
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1 15387

RECORDATION NO. _____ FILE

NOV 23 1987 - 3 15 PM

INTERSTATE COMMERCE COMMISSION

*LICENSED IN NORTH CAROLINA & GEORGIA

November 20, 1987

Mr. James H. Bayne
Secretary
Interstate Commerce Commission
12th St. and Constitution Ave. NW
Washington, D.C. 20423

No. 7-327A057
Date NOV 23 1987
Fee \$ 10.00

ICC Washington, D.C.

ICC OFFICE OF
THE SECRETARY
NOV 23 3 06 PM '87
MOTOR OPERATING UNIT

Dear Secretary:

I have enclosed an original and one counterpart of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the United States Code.

This document is a Security Agreement, a primary document, dated October 20, 1987.

The names and addresses of the parties to the document are as follows:

Secured Party/Seller: The Board of Trustees of the Galveston Wharves, P. O. Box 328, Galveston, Texas 77553

Debtor/Purchaser: Galveston Railway, Inc., 2506 South Park Drive, Dothan, Alabama 36031

A description of the equipment covered by the document follows:

Quantity	Description of Equipment
1	Model SW1001 EMD 1,000 h.p. switcher locomotive, Serial No. 756080-1, GW #301
1	Model SW1001 EMD 1,000, h.p. switcher locomotive, Serial No. 756080-2, GW #302

Mr. James H. Bayne
November 20, 1987
Page 2

1 Model SW1001 EMD 1,000 h.p. switcher locomotive,
Serial No. 776052, GW #303

1 Model SW1001 EMD 1,000 h.p. switcher locomotive,
Serial No. 795304-1, GW #304

1 Model SW1001 EMD 1,000 h.p. switcher locomotive,
Serial No. 795304-2, GW #305

Bullet proof window glass to be installed in
locomotive GW #301

Bullet proof window glass to be installed in
locomotives GW #302 and GW #303

1 Fairmont T11F1 steel frame push car,
Serial No. 251117

8 Motorola H33RMU1144N portable radios
(Serial No's. 402AHE0767, 402AHE0768, 402AHG0591,
402AHG0592, 402AHG0593, 402AHG0594, 402AHG0595,
and 402AHG0596) and 8 Model NLN 7646 Single unit
rapid chargers

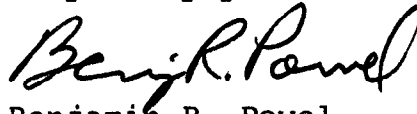
1 Ingersol Rand Model 29343 impact tool with 4
sockets

6 Pace Model 365X Landmaster - portable radios,
(Serial No's. 31213283, 31213290, 40512412,
40512415, 40513416 and 4053417) and 6 Pace Model
C-1X Chargers for above

Mr. James H. Bayne
November 20, 1987
Page 4

each 1000 h.p., model EMD, Serial Numbers:
756080-1, 756080-2, 776052, 795304-1, 795304-2; as
well as bullet proof glass for installation in
serial numbers 756080-1, 756080-2, and 776052 and
related equipment, including portable radios, push
cars, steam cleaner, electric generator, locomotive
wheel cutting machine, air compressors, tools and
supplies.

Very truly yours,



Benjamin R. Powell

BRP:GCA:pas

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

11/24/87

Benjamin R. Powell
McLeod, Alexander Powell & Apffel
802 Rosenberg
P.O.Box 629
Galveston, Texas 77553

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/23/87 at 3:15pm, and assigned recordation number(s). 15387

Sincerely yours,

Norita R. McGehee
Secretary

Enclosure(s)

SE-30
(7/79)

SECURITY AGREEMENT

NOV 23 1987 -3 15 PM

INTERSTATE COMMERCE COMMISSION

This Security Agreement is made and entered into on October 20, 1987, by and between GALVESTON RAILWAY, INC., hereinafter referred to as "GRI" of Galveston, Galveston County, Texas and The Board of Trustees of the Galveston Wharves, hereinafter referred to as "WHARVES" of Galveston, Galveston County, Texas, as follows:

For value received, GRI hereby grants to the WHARVES a security interest in the following described property, hereinafter referred to as the Collateral, to wit: five (5) locomotives and other equipment, more particularly described in Exhibit "A" attached hereto, to secure GRI's Note of \$1,050,000 to WHARVES of even date, payable as to principal and interest as therein provided; any other costs and expenses incurred by WHARVES in the collection and enforcement of the note and other indebtedness of GRI; and all liabilities of GRI to WHARVES existing or hereafter incurred, matured or unmatured, direct or contingent, and any renewals and extensions thereof and substitutions therefor.

GRI WARRANTS, COVENANTS, AND AGREES:

TITLE

1. Except for the security interest hereby granted, GRI has, or on acquisition will have, full title to the Collateral free from any lien, security interest, encumbrance, or claim, and GRI will, at its cost and expense, defend any action which may affect WHARVES' security interest in, or GRI's title to, the Collateral.

FILING OF SECURITY AGREEMENT

2. GRI will join in executing any and all forms or documents necessary to file and record this Security Agreement with the Interstate Commerce Commission and other agencies.

SALE, LEASE, OR DISPOSITION OF COLLATERAL

3. GRI will not, without the written consent of WHARVES', sell, contract to sell, lease, encumber, or dispose of the Collateral or any interest therein until this Security Agreement and all debts secured thereby have been fully satisfied.

INSURANCE

4. GRI will insure the Collateral with companies acceptable to WHARVES against such casualties and in such amounts as WHARVES shall reasonably require with a loss payable clause in favor of GRI and WHARVES as their interests may appear, and WHARVES is hereby authorized to collect sums which may become due under any of said policies and apply the same to the obligations hereby secured.

PROTECTION OF COLLATERAL

5. GRI will keep the Collateral in good order and repair and will not waste or destroy the Collateral or any part thereof. The GRI will not use the Collateral in violation of any statute or ordinance, and WHARVES will have the right to examine and inspect the Collateral at any reasonable time.

TAXES

6. GRI will pay promptly when due all taxes and assessments on the Collateral or for its use and operation.

REIMBURSEMENT OF EXPENSES

7. At the option of WHARVES, WHARVES may discharge taxes, liens, interest, or perform or cause to be performed for and on behalf of GRI any actions and conditions, obligations, or covenants which GRI has failed or refused to perform, and may pay for the repair, maintenance, and preservation of the Collateral, and all sums so expended, including, but not limited to, attorney's fees, court costs, agent's fees, or commissions, or any other costs or expenses, shall bear interest from the date of payment at the rate of 10 per cent per annum and shall be payable at the place designated in the above-described note and shall be secured by this Security Agreement.

PAYMENT

8. GRI will pay the note secured by this Security Agreement and any renewal or extension thereof and any other indebtedness hereby secured in accordance with the terms and provisions thereof and will repay immediately all sums expended by WHARVES in accordance with the terms and provisions of this Security Agreement.

TIME OF PERFORMANCE AND WAIVER

9. In performing any act under this Security Agreement and the note secured thereby, time shall be of the essence. WHARVES' acceptance of partial or delinquent payments, or the failure of WHARVES to exercise any right or remedy shall not be a waiver of any obligation of the GRI or right of WHARVES or constitute a waiver of any other similar default subsequently occurring.

DEFAULT

10. GRI shall be in default under this Security Agreement on the happening of any of the following events or conditions:

- (a) Default in the timely payment or performance of the note or referred to therein;
- (b) Any warranty, representation, or statement made or furnished to WHARVES by or in behalf of GRI proves to have been false in any material respect when made or furnished;
- (c) Loss, theft, substantial damage, destruction, sale, or encumbrance to or of any of the Collateral, or the making of any levy, seizure, or attachment thereof or thereon, the result of which would materially impair WHARVES Security interest therein;
- (d) Dissolution, termination of existence, insolvency, business failure, appointment of a receiver for any part of the Collateral, assignment for the benefit of creditors or the commencement of any proceeding under any bankruptcy or insolvency law by or against GRI or any guarantor or surety for GRI.
- (e) The occurrence of a breach or default by GRI in that certain Lease Agreement of even date with WHARVES of the Facilities, as described therein.
- (f) The removal of any of the Collateral from Galveston, Galveston County, Texas, without WHARVES' prior written consent.

REMEDIES

11. On the occurrence of any such event of default, and at any time thereafter, WHARVES may declare all obligations secured immediately due and payable and may proceed to enforce payment of the same and exercise any and all of the rights and remedies it possesses, either at law or in equity.

WHARVES may require GRI to assemble the Collateral and make it available to WHARVES at any place to be designated by WHARVES which is reasonably convenient to both parties. WHARVES will give GRI reasonable notice of time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of GRI: 2506 S. Park Avenue, Dothan, Alabama 36031, at least five days before the time of the sale or disposition. Expenses of retaking, holding, preparing for sale, selling, or the like shall include WHARVES' reasonable attorney's fees and legal expenses.

MISCELLANEOUS PROVISIONS

12. (a) Applicable Law: This Agreement shall be construed under and in accordance with the applicable provisions of the Interstate Commerce Code and Regulations promulgated thereunder and applicable laws of the State of Texas, and all obligations of the parties created hereunder are performable in Galveston County, Texas.

(b) Parties Bound: This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns where permitted by this Agreement.

(c) Legal Construction: In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect,

such invalidity, illegality, or unenforceability shall not affect any other provision thereof and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

(d) Prior Agreements Superseded: This Agreement constitutes the sole and only agreement of the parties hereto and supersedes any prior understandings or written or oral agreements between the parties respecting the within subject matter.

This instrument prepared by WHARVES, whose address is P. O. Box 328, Galveston, Galveston County, Texas 77553.

Dated OCTOBER 20, 1987.

GALVESTON RAILWAY, INC.

ATTEST:

Michael E. Ouden

M. Ouden
Its President

THE BOARD OF TRUSTEES OF THE
GALVESTON WHARVES

ATTEST:

O. L. H. J.
Secretary

D. J. Marchand

STATE OF TEXAS *
 *
COUNTY OF GALVESTON *

BEFORE ME, a Notary Public, on this day personally appeared
K. F. Durden, President, of the Galveston
Railway, Inc., known to me to be the person whose name is
subscribed to the foregoing instrument, and being by me first
duly sworn, declared that the statements therein contained are
true and correct.

GIVEN under my hand and seal of office this 20th day of
October, 1987.

Janet Bowen
NOTARY PUBLIC in and for the
STATE OF TEXAS

Janet Bowen
Notary's Printed Name

My Commission Expires: 2-19-89

STATE OF TEXAS *
 *
COUNTY OF GALVESTON *

BEFORE ME, a Notary Public, on this day personally appeared
D. J. MARSHALL, PORT DIRECTOR, of The Board of
Directors of the Galveston Wharves, known to me to be the person
whose name is subscribed to the foregoing instrument, and being
by me first duly sworn, declared that the statements therein
contained are true and correct.

GIVEN under my hand and seal of office the 20th day of
October, 1987.

F. R. Macik
NOTARY PUBLIC in and for the
STATE OF TEXAS

F. R. MACIK
Notary Public State of Texas
Notary's Printed Name My Commission Expires 12/31/88

My Commission Expires: _____

E X H I B I T "A"

Quantity	Description of Equipment
1	Model SW1001 EMD 1,000 h.p. switcher locomotive, Serial No. 756080-1, GW #301
1	Model SW1001 EMD 1,000, h.p. switcher locomotive, Serial No. 756080-2, GW #302
1	Model SW1001 EMD 1,000 h.p. switcher locomotive, Serial No. 776052, GW #303
1	Model SW1001 EMD 1,000 h.p. switcher locomotive, Serial No. 795304-1, GW #304
1	Model SW1001 EMD 1,000 h.p. switcher locomotive, Serial No. 795304-2, GW #305
	Bullet proof window glass to be installed in locomotive GW #301
	Bullet proof window glass to be installed in locomotives GW #302 and GW #303
1	Fairmont T11F1 steel frame push car, Serial No. 251117
8	Motorola H33RMU1144N portable radios (Serial No's. 402AHE0767, 402AHE0768, 402AHG0591, 402AHG0592, 402AHG0593, 402AHG0594, 402AHG0595, and 402AHG0596) and 8 Model NLN 7646 Single unit rapid chargers
1	Ingersol Rand Model 29343 impact tool with 4 sockets

- 6 Pace Model 365X Landmaster - portable radios,
(Serial No's. 31213283, 31213290, 40512412,
40512415, 40513416 and 4053417) and 6 Pace Model
C-1X Chargers for above
- 2 Pace Model 464X UHF portable radios,
Serial No's. 30530678 and 30530683
- 1 Fairmont T11F1 steel frame push car,
Serial No. 253374
- 1 Hillbro Model PSC-130 steam cleaner
Serial No. 12935
- 1 Honda Model EB4000 electric generator,
Serial No. 1042094
- 1 Locomotive wheel cutting machine with 20 cutting
inserts
- 1 Model VE-55R air compressor with fuel tank,
alternator, and related equipment
- 1 Campbell Hausfeld Model No. TW930059B air
compressor